

**Report of the
PUBLIC EMPLOYEE RETIREMENT
ADMINISTRATION COMMISSION
on the Examination of the
Amesbury
Contributory Retirement System
For the Three Year Period
January 1, 2000 - December 31, 2002
PERAC 02: 10-014-01**

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May 20, 2004

The Public Employee Retirement Administration Commission has completed an examination of the **Amesbury** Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, **2000** to December 31, **2002**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiner James Ryan who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton
Executive Director

Amesbury Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

1. Member Deductions

A review of pension deductions for twenty-five members of the Amesbury Retirement System indicated that one member had 9% erroneously withheld from earnings instead of the 8% rate required by his date of membership. According to the member's date of membership, his contribution rate is 8%, which resulted in an overwithholding of \$1,234.00 taken between 4/6/01 and 6/13/03.

Recommendation:

The Amesbury Retirement System must ensure that the employee's current payroll deduction is based upon 8%, and refund the \$1,234.00 to the employee during the next pay period.

Board Response:

The Amesbury Retirement System had corrected the member's deduction rate in June 2003. The erroneous deduction percentage was corrected thanks to the new deduction posting software that was implemented in May 2003. The member was advised in writing of this overwithholding in November 2003 and the member has since been refunded.

2. Change of Fund Balances

Based upon a review of the change of fund balances, it was determined that the Annuity Savings Fund and Pension Reserve Fund were inappropriately adjusted by \$2,073.05 on December 31, 2002. The adjustment was the result of a journal entry to correct the Annuity Savings Fund for a member's duplicate deduction.

Recommendation:

The Amesbury Retirement System must reverse the December 31, 2002 incorrect journal entry and prepare a journal entry to reduce the Annuity Savings Fund and increase the Pension Reserve Fund by \$2,073.05.

Board Response:

Change of Fund Balances and journal entry was corrected prior to the completion of the Audit.

Final Determination:

PERAC audit staff will follow-up in six (6) months to ensure appropriate actions have been taken regarding all findings.

Amesbury Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2002**

FOR THE PERIOD ENDING DECEMBER 31,			
ASSETS	2002	2001	2000
Cash	\$1,340,689	\$972,099	\$782,012
Pooled Domestic Equity Funds	10,207,913	10,836,363	11,717,505
Pooled International Equity Funds	1,970,261	2,371,034	3,566,939
Pooled Domestic Fixed Income Funds	8,523,201	9,804,398	9,046,090
Pooled Real Estate Funds	1,392,558	1,292,409	1,287,382
Interest Due and Accrued	0	0	0
Accounts Receivable	1,866	398	30,975
Accounts Payable	(15,713)	(5,606)	(7,700)
TOTAL	<u>\$23,420,773</u>	<u>\$25,271,096</u>	<u>\$26,423,203</u>
FUND BALANCES			
Annuity Savings Fund	\$8,112,053	\$7,782,366	\$7,222,649
Annuity Reserve Fund	3,037,755	2,568,484	2,441,272
Pension Fund	2,626,689	2,772,000	3,017,271
Military Service Fund	0	0	0
Expense Fund	0	0	0
Pension Reserve Fund	9,644,276	12,148,245	13,742,011
TOTAL	<u>\$23,420,773</u>	<u>\$25,271,096</u>	<u>\$26,423,203</u>

Amesbury Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2002**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2000)	6,931,828	2,373,400	3,138,703	0	0	14,012,331	26,456,262
Receipts	971,485	70,666	1,614,781	0	155,502	(270,319)	2,542,115
Interfund Transfers	(272,328)	272,328					0
Disbursements	<u>(408,336)</u>	<u>(275,122)</u>	<u>(1,736,214)</u>	<u>0</u>	<u>(155,502)</u>	<u>0</u>	<u>(2,575,174)</u>
Ending Balance (2000)	7,222,649	2,441,272	3,017,271	0	0	13,742,011	26,423,203
Receipts	1,079,065	74,191	1,672,536	0	145,969	(1,593,766)	1,377,995
Interfund Transfers	(342,874)	342,874					0
Disbursements	<u>(176,474)</u>	<u>(289,852)</u>	<u>(1,917,807)</u>	<u>0</u>	<u>(145,969)</u>	<u>0</u>	<u>(2,530,102)</u>
Ending Balance (2001)	7,782,366	2,568,484	2,772,000	0	0	12,148,245	25,271,096
Receipts	1,178,065	77,086	1,879,702	0	153,576	(2,501,896)	786,533
Interfund Transfers	(714,463)	716,536				(2,073)	(0)
Disbursements	<u>(133,915)</u>	<u>(324,351)</u>	<u>(2,025,013)</u>	<u>0</u>	<u>(153,576)</u>	<u>0</u>	<u>(2,636,855)</u>
Ending Balance (2002)	<u>\$8,112,053</u>	<u>\$3,037,755</u>	<u>\$2,626,689</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9,644,276</u>	<u>\$23,420,774</u>

Amesbury Retirement System

STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2002**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2002	2001	2000
Annuity Savings Fund:			
Members Deductions	\$881,677	\$792,891	\$756,099
Transfers from other Systems	128,101	141,899	60,852
Member Make Up Payments and Redeposits	61,900	20,336	24,563
Investment Income Credited to Member Accounts	<u>106,387</u>	<u>123,939</u>	<u>129,971</u>
Sub Total	<u>1,178,065</u>	<u>1,079,065</u>	<u>971,485</u>
Annuity Reserve Fund:			
Investment Income Credited Annuity Reserve Fund	<u>77,086</u>	<u>74,191</u>	<u>70,666</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	37,307	36,365	35,850
Received from Commonwealth for COLA and Survivor Benefits	144,899	138,677	137,378
Pension Fund Appropriation	<u>1,697,495</u>	<u>1,497,495</u>	<u>1,441,554</u>
Sub Total	<u>1,879,702</u>	<u>1,672,536</u>	<u>1,614,781</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited Military Service Fund	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to Expense Fund	<u>153,576</u>	<u>145,969</u>	<u>155,502</u>
Sub Total	<u>153,576</u>	<u>145,969</u>	<u>155,502</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	15,284	22,156	17,918
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	2,657	3,694	2,225
Excess Investment Income	<u>(2,519,836)</u>	<u>(1,619,617)</u>	<u>(290,462)</u>
Sub Total	<u>(2,501,896)</u>	<u>(1,593,766)</u>	<u>(270,319)</u>
TOTAL RECEIPTS	<u>\$786,533</u>	<u>\$1,377,995</u>	<u>\$2,542,115</u>

Amesbury Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2002**

		FOR THE PERIOD ENDING DECEMBER 31,		
		2002	2001	2000
Annuity Savings Fund:				
Refunds to Members		\$33,070	\$135,965	\$105,464
Transfers to other Systems		<u>100,845</u>	<u>40,509</u>	<u>302,872</u>
	Sub Total	<u>133,915</u>	<u>176,474</u>	<u>408,336</u>
Annuity Reserve Fund:				
Annuities Paid		308,960	289,852	275,122
Option B Refunds		<u>15,391</u>	<u>0</u>	<u>0</u>
	Sub Total	<u>324,351</u>	<u>289,852</u>	<u>275,122</u>
Pension Fund:				
Pensions Paid				
Regular Pension Payments		1,319,702	1,242,902	1,107,679
Survivorship Payments		34,853	29,606	31,030
Ordinary Disability Payments		18,548	20,214	18,548
Accidental Disability Payments		258,691	275,604	252,677
Accidental Death Payments		40,901	44,223	41,955
Section 101 Benefits		3,371	3,371	3,371
3 (8) (c) Reimbursements to Other Systems		40,775	32,884	32,424
State Reimbursable COLA's Paid		308,172	269,004	248,531
Chapter 389 Beneficiary Increase Paid				
	Sub Total	<u>2,025,013</u>	<u>1,917,807</u>	<u>1,736,214</u>
Military Service Fund:				
Return to Municipality for Members Who				
Withdrew Their Funds		<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:				
Board Member Stipend		15,000	13,000	15,000
Salaries		40,220	37,358	34,855
Legal Expenses		2,668	1,418	684
Fiduciary Insurance		2,811	0	0
Service Contracts		3,712	0	0
Travel Expenses		2,146	1,463	1,145
Administrative Expenses		22,481	8,552	8,807
Furniture and Equipment		0	2,029	
Management Fees		54,539	68,649	86,677
Consultant Fees		<u>10,000</u>	<u>13,500</u>	<u>8,333</u>
	Sub Total	<u>153,576</u>	<u>145,969</u>	<u>155,502</u>
TOTAL DISBURSEMENTS		<u>\$2,636,855</u>	<u>\$2,530,102</u>	<u>\$2,575,174</u>

Amesbury Retirement System

INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2002**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2002	2001	2000
Investment Income Received From:			
Cash	\$12,220	\$18,572	\$26,715
Short Term Investments	0	0	0
Fixed Income	0	0	0
Equities	0	0	0
Pooled or Mutual Funds	<u>156,752</u>	<u>173,357</u>	<u>164,167</u>
Commission Recapture			
TOTAL INVESTMENT INCOME	<u>168,972</u>	<u>191,928</u>	<u>190,882</u>
Plus:			
Realized Gains	7,508	85,649	457,734
Unrealized Gains	3,152,365	3,701,652	4,327,672
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>3,159,873</u>	<u>3,787,301</u>	<u>4,785,406</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	(237,222)	(123,065)	(3,980)
Unrealized Loss	(5,274,411)	(5,131,682)	(4,906,632)
Custodial Fees Paid	0	0	0
Consultant Fees Paid	0	0	0
Management Fees Paid	0	0	0
Board Member Stipend	0	0	0
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>(5,511,633)</u>	<u>(5,254,747)</u>	<u>(4,910,612)</u>
NET INVESTMENT INCOME	<u>(2,182,787)</u>	<u>(1,275,518)</u>	<u>65,677</u>
Income Required:			
Annuity Savings Fund	106,387	123,939	129,971
Annuity Reserve Fund	77,086	74,191	70,666
Military Service Fund	0	0	0
Expense Fund	<u>153,576</u>	<u>145,969</u>	<u>155,502</u>
TOTAL INCOME REQUIRED	<u>337,049</u>	<u>344,099</u>	<u>356,139</u>
Net Investment Income	<u>(2,182,787)</u>	<u>(1,275,518)</u>	<u>65,677</u>
Less: Total Income Required	<u>337,049</u>	<u>344,099</u>	<u>356,139</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>(\$2,519,836)</u>	<u>(\$1,619,617)</u>	<u>(\$290,462)</u>

Amesbury Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

	BOOK VALUE*	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash	\$1,340,689	\$1,340,689	5.72%	100
Pooled Domestic Equity Funds	10,207,913	10,207,913	43.56%	
Pooled International Equity Funds	1,970,261	1,970,261	8.41%	
Pooled Domestic Fixed Income Funds	8,523,201	8,523,201	36.37%	
Pooled Real Estate Funds	1,392,558	1,392,558	5.94%	
GRAND TOTALS	<u>\$23,434,621</u>	<u>\$23,434,621</u>	<u>100.00%</u>	

* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2002**, the rate of return for the investments of the **Amesbury** Retirement System was -8.83%. For the five year period ending December 31, **2002**, the rate of return for the investments of the **Amesbury** Retirement System averaged 4.22%. For the seventeen-year period ending December 31, **2002**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Amesbury** Retirement System was 8.58%.

Amesbury Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

The **Amesbury** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on :

September 14, 1989

20.03(1) Equity investments shall not exceed 50% of the total book value of the portfolio at the time of purchase.

January 3, 1992

16.02(3) The board may incur expenses for investment advice or management of the funds of the system by a qualified investment manager and the board may incur expenses for consulting services. Such expenses may be charged against earned income from investments provided that the total of such expenses shall not exceed in any one year:

(a) 1% of the value of the fund for the first \$5 million; and

(b) 0.5% of the value of the fund in excess of \$5 million.

16.02(4) The board may employ a custodian bank and may charge such expenses against earned income from investments provided that such expenses shall not exceed in any one year 08% of the value of the fund.

September 8, 1993

20.03(1) Equity investments shall not exceed 50% of the portfolio valued at market, including international equities which shall not exceed 5% of the portfolio valued at market.

20.04(1) United States based corporations and equities of foreign corporations.

20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

November 7, 1994

20.03(1) Equity investments shall not exceed 50% of the total portfolio valued at market, including international equities which shall not exceed 10% of the total portfolio valued at market.

May 2, 1996

840 CMR 21.00: Prohibited Investments

(3) Futures Contracts other than as follows:

(a) Forward Currency Contracts may be written against securities in the international portfolio by an investment advisor registered under the Investment Advisors Act of 1940 and who has been granted a waiver from PERAC for international investments.

(b) Forward Currency Contracts may be written against securities in the international portfolio to a

Amesbury Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS (CONTINUED)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

maximum of twenty-five (25%) of the international portfolio's non-dollar holdings at market value. Speculative currency positions unrelated to underlying portfolio holdings are strictly prohibited.

October 17, 1996

20.03(1) Equity investments shall not exceed 53% of the portfolio valued at market, including international equities which shall not exceed 10% of the portfolio valued at market.

December 2, 1996

20.03(1) Equity investments shall not exceed 58% of the portfolio valued at market, including international equities which shall not exceed 15% of the portfolio valued at market.

February 12, 1997

18.02(4) Rate of Return

The primary objective is to outperform the actuarial assumption of 8% over a five year time horizon. The secondary objective is to outperform a composite index comprised of thirty-seven (37%) Russell 3000 Index, thirty-three percent (33%) Lehman Aggregate Index, fifteen percent (15%) EAFE, ten percent (10%) Frank Russell Property and five percent (5%) H&Q Growth Index.

October 15, 1999

16.08 In accordance with PERAC Investment Guideline 99-2, the Amesbury Retirement Board may transfer its fixed income assets from the State Street Global Advisors Daily Bond Fund to the State Street Global Bond Market Index Fund. This transfer involves a modest change in investment mandate, no change in the performance benchmark, and will bring about a significant savings in fees.

May 6, 2003

Pursuant to the authority vested in the Commission under G.L. c. 7, § 50, the Board's supplementary rule regarding Authorization for Travel and Travel Related Expenses is approved.

Amesbury Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Amesbury** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

Amesbury Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Amesbury Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **Amesbury** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

August 29, 2000

I. Hospital

The Amesbury Hospital closed June 1, 1993, with most employees off of the payroll as of June 30, 1993. Many members elected to leave their annuity savings accounts here and will return when

Amesbury Retirement System

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (CONTINUED)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

ready to retire. Hospital employees work schedules were based on a 40 hour work week, or 2080 hours/year. Anyone wishing to buy back time from hospital employment [from the Amesbury Retirement System], must:

1. Be an **active member** of the Amesbury Retirement System.
2. Creditable service that they may buy back, will be based on a 40 hour work week, as per the agreement at the time of the Amesbury Hospital 's closing. Service time less than **40 hours/week** must be pro-rated accordingly.

II. Call Firefighters

Pre-1964

Any Call Firefighter who was hired prior to 1964, is entitled to as many years of creditable service as they actually served. This is documented in the Colo v. CRAB case, which states that if a System grants a full year of service to part-time employees then Call Firefighters would be granted the same. There is **no 5 year maximum limitation, nor do they have to become a permanent firefighter.**

Post-1964

In accordance with Chapter 738 of the Acts of 1964 (now Chapter 32, section 4 (2) (b)), any Call Firefighter who was hired after 1964, can buy back up to a **maximum of five years** creditable service, if they go on to become a permanent firefighter. Amesbury never adopted the local option to grant Call Firefighters pro-rated creditable service for actual time worked over five years.

III. Reserve Police Time

In accordance with Chapter 32, Section (4) (2) (b), Reserve Police Officers, or Permanent-Intermittent Officers ... may buyback **up to a maximum of five years creditable service.**

IV. All other creditable service

Currently membership is mandatory for all those employees working greater than 20 hours per week. Any member requesting to buy back prior service time with Amesbury, will be credited for one full year of service, for every year worked, even if working part-time or seasonally (i.e. School, Board of Registrars, etc.). There must be records which show that the position was a year-round position, even if the member only worked sporadically during the year (i.e. Board of Registrar appointments). Intermittent or temporary positions (such as Summer Town Park personnel, Lifeguards, etc.) will be credited on a pro rata basis.

An inactive member, who returns to work, or a member who decreases their hours, and works less than 20 hours a week, must still have retirement deductions taken out, and be granted creditable service time.

Amesbury Retirement System

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (CONTINUED)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

March 25, 2003

All full-time employees (except elected officials) working 20 hours or more each week must join the Amesbury Retirement System, except Call Firefighters or Reserve Police Officers. Call Firefighters and Reserve Police Officers are not eligible for membership.

Amesbury Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by **John Hancock Financial Services** as of **January 1, 2002**.

The actuarial liability for active members was	\$20,192,935
The actuarial liability for vested terminated members was	641,088
The actuarial liability for non-vested terminated members was	271,866
The actuarial liability for retired members was	<u>19,708,164</u>
The total actuarial liability was	40,814,053
System assets as of that date were (market value basis)	<u>25,271,096</u>
The unfunded actuarial liability was	<u>\$15,542,957</u>
The ratio of system's assets to total actuarial liability was	61.9%
As of that date the total covered employee payroll was	\$10,445,149

The normal cost for employees on that date was 7.80% of payroll
The normal cost for the employer was 3.30% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.25% per annum
Rate of Salary Increase: varies by service and job group

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2002

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2002	\$ 25,271,096	\$ 40,814,053	\$ 15,542,957	61.9%	\$ 10,380,709	149.7%
1/1/1999	\$ 22,632,257	\$ 31,623,381	\$ 8,991,124	71.6%	\$ 9,084,628	99.0%
1/1/1997	\$ 17,324,628	\$ 24,495,314	\$ 7,170,686	70.7%	\$ 6,791,575	105.6%

Amesbury Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2002

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Superannuation	*	1	1	13	3	9	5	8	9	17
Ordinary Disability	*	0	1	0	0		0	0	0	0
Accidental Disability	*	0	1	1	1	0	1	1	0	0
Total Retirements	*	1	3	14	4	9	6	9	9	17
Total Retirees, Beneficiaries and Survivors	180	184	183	191	195	194	195	199	210	215
Total Active Members	316	300	326	335	348	354	359	356	350	341
Pension Payments										
Superannuation	\$727,590	\$745,544	\$788,363	\$919,662	\$991,718	\$1,001,846	\$1,080,431	\$1,107,679	\$1,242,902	\$1,319,702
Survivor/Beneficiary Payments	42,510	52,618	34,071	36,374	36,387	35,101	32,796	31,030	26,606	34,853
Ordinary Disability	47,961	42,528	13,795	20,210	20,210	19,806	19,530	18,548	20,214	18,548
Accidental Disability	51,234	133,254	130,992	147,235	211,889	210,332	222,775	252,677	275,604	258,691
Other	<u>222,827</u>	<u>230,214</u>	<u>226,413</u>	<u>226,938</u>	<u>231,291</u>	<u>237,457</u>	<u>254,286</u>	<u>326,280</u>	<u>352,482</u>	<u>393,218</u>
Total Payments for Year	<u>\$1,092,122</u>	<u>\$1,204,158</u>	<u>\$1,193,634</u>	<u>\$1,350,419</u>	<u>\$1,491,495</u>	<u>\$1,504,542</u>	<u>\$1,609,818</u>	<u>\$1,736,214</u>	<u>\$1,917,807</u>	<u>\$2,025,013</u>
* Information not available										